

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 391 - SB 482

March 12, 2013

SUMMARY OF BILL: Establishes 15 years as the standard period of service for a school bus. Deletes current statutory language requiring conventional buses to be inspected twice annually beginning in their 13th year of service up to their 17th year of service. Removes mileage and age limitations for all school buses that have been in service for more than 15 years. Requires all buses to be inspected semi-annually beginning in their 16th year of service. Authorizes the Commissioner of the Department of Safety (DOS), through the inspection process, to approve additional years of service for a bus on a year-to-year basis. Authorizes DOS to charge a fee for offsetting additional inspection costs and any required additional personnel.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$1,257,400/FY13-14/Department of Safety

Exceeds \$1,257,400/FY14-15 and Subsequent Years/Department of Safety

Increase State Expenditures –

\$1,257,400/FY13-14/Department of Safety

Exceeds \$1,257,400/FY14-15 and Subsequent Years/Department of Safety

Decrease Local Expenditures – Net Impact –

Exceeds \$71,272,500/FY13-14 and Subsequent Years/Permissive

Other Fiscal Impact – If transportation costs decrease as a result of local education agencies (LEAs) choosing not to purchase new or used school buses, the Basic Education Program (BEP) funding formula may generate less funding over time, thus decreasing state and local BEP expenditures. The impact of any decrease in BEP funding will occur three years after any BEP funding formula adjustment since the BEP transportation component is funded on a three-year average. This decrease cannot be reasonably quantified.

Assumptions:

- Currently, type A and B buses are not eligible for extended use beyond their 10th or 12th, and 15th service year respectively but would become eligible for extended use as a result of this bill.

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- Type C buses are currently inspected semi-annually beginning in the 13th year of service. These buses would be inspected annually up until the 16th year of service as a result of this bill. The decrease in the number of inspections cannot reasonably be quantified.
- With the elimination of mileage and age restrictions, the service life of certain school buses may be extended, provided the LEA or LEA service contractor elects to keep the bus in service, the bus passes safety inspections, and the bus does not suffer a catastrophic breakdown that would require replacement.
- DOS estimates an additional 1,633 buses of all classifications will be eligible for extended use beginning in FY13-14.
- Each school bus inspection costs \$385.
- If all 1,633 buses are inspected semi-annually (3,266 inspections), the increase in inspection fee revenue is estimated to be \$1,257,410 (\$385 x 3,266 inspections).
- DOS currently has 13 personnel who perform school bus inspections.
- According to DOS, the Department will require additional positions to accommodate an additional 3,266 inspections each year. It is estimated that DOS will utilize the additional inspection fee revenue to employ additional inspector positions and for paying the costs of conducting the inspections. As a result, the increase in state expenditures for FY13-14 is estimated to be \$1,257,410.
- The number of inspections is assumed to increase in subsequent years. As a result, there will be increased fee revenue. Any increased fee revenue will be utilized by DOS to either employ additional inspector positions or for paying the costs associated with the inspections. The extent of any increased inspections is unknown. As a result, the recurring increase in fee revenue to DOS, and the corresponding recurring increase in expenditures for DOS is estimated to exceed \$1,257,410.
- Annual local expenditures for bus maintenance may increase as a result of extending the service life of buses. Any increase is unknown, however, it is reasonably estimated the increase in maintenance expenditures will be at least \$1,000,000 annually statewide; further it is assumed that the cost for maintenance is less than the cost to purchase a new bus.
- According to DOE, the average cost of a bus is \$90,000. If local governments elect not to purchase 817 buses (approximately 50 percent of the 1,633 buses that would be due inspections) in FY13-14, the permissive decrease in local expenditures for bus purchases would be \$73,530,000 (\$90,000 x 817 buses). The net permissive decrease in local expenditures in FY13-14 and subsequent fiscal years is estimated to exceed \$71,272,590 (\$73,530,000 - \$1,257,410 - \$1,000,000 = \$71,272,590).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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